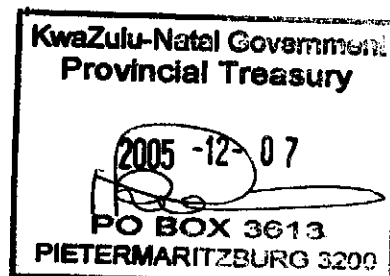


(F)

To 235/13/2/6/1
Financial Statements
04/05

OKHAHLAMBA LOCAL MUNICIPALITY

FINANCIAL STATEMENTS 2004/2005



INDEX

| ITEM | PAGE |
|--|------|
| 1. GENERAL INFORMATION | 2 |
| 2. FOREWORD | 3 |
| 3. AUDITOR'S REPORT | 4 |
| 4. TOWN TREASURER'S REPORT | 5 |
| 6. BALANCE SHEET | 11 |
| 7. INCOME STATEMENT | 12 |
| 8. CASH FLOW STATEMENT | 13 |
| 5. ACCOUNTING POLICIES | 14 |
| 9. NOTES TO FINANCIAL STATEMENTS | 17 |
| 10 APPENDICES | |
| A. ANALYSIS OF EXTERNAL LOANS..... | 24 |
| B. ANALYSIS OF FIXED ASSETS | 25 |
| C. ANALYSIS OF OPERATING INCOME AND EXPENDITURE | 26 |
| D. SEGMENTED INCOME STATEMENT | 27 |

GENERAL INFORMATION

MEMBERS OF THE EXECUTIVE COMMITTEE

| | | |
|--------------|---|--------------------|
| MAYOR | : | CLLR V R Mlotshwa |
| DEPUTY MAYOR | : | CLLR C B Mabizela |
| SPEAKER | : | CLLR B D Msibi |
| EXCO | : | CLLR M Asmai |
| | | CLLR B R Hlongwane |
| | | CLLR R Tungay |

GRADING OF LOCAL AUTHORITY

GRADE 2

AUDITORS

AUDITOR-GENERAL : KWAZULU-NATAL

BANKERS

FIRST NATIONAL BANK

REGISTERED OFFICE

CIVIC BUILDINGS
10 BROADWAY
BERGVILLE

P O BOX 71
BERGVILLE
3350

TELEPHONE: (036) 448 1076
FAX: (036) 448 1986

MUNICIPAL MANAGER

H W JONKER

FINANCIAL DIRECTOR

S NGIBA

APPROVAL OF FINANCIAL STATEMENTS

The annual financial statements set out on pages ___ to ___ were approved by the Municipal Manager on _____ 2005 and presented to and approved by the Council on _____ 2005.

S NGIBA
ACTING MUNICIPAL MANAGER

P.N Chiliza
DIRECTOR: FINANCE

FOREWORD

The new dispensation has posed and continues to pose many challenges for both Councillors and staff, as such absolute dedication is required to meet the needs of the community and to carry out the constitutional obligations for service delivery.

Despite the fact that the existing staff compliment and infrastructure taken over from the former local authorities of Bergville, Cathkin Park and Winterton is still not sufficiently capacitated to perform all the required functions and responsibilities in terms of legislation, Council will endeavour to address these shortcomings of the 01/02 budget.

The Municipality faces many challenges during the forthcoming year insofar as implementing the MFMA and the new Rates Property Act but we hope these will be addressed in the best possible manner within the financial framework and within the available human and other resources.

COUNCILLOR V R Mlotshwa
MAYOR: OKHAHLAMBA LOCAL MUNICIPALITY

AUDITOR'S REPORT

FINANCIAL DIRECTOR'S REPORT

GENERAL REVIEW

The year under review saw greater involvement in Local Authority administration by Provincial authorities, namely the Department of local Government and Development Planning.

The intervention by the Provincial Authorities is all in terms of the Local Government Transition Act Second Amendment 1996. Section 10(G) of this Act covers various financial aspects and places an additional burden on the administration of this department. A strong emphasis is placed on transparency and these statements are also intended to reflect this from a financial point of view.

The financial statements reflect that the council is in a sound financial position.

1. OPERATING RESULTS

1.1 The detail of the operating results can be found in *Appendices C and D* to these financial Statements. The overall results for the financial year ended 30 June 2005 are as follows:

| INCOME | ACTUAL 2004 R | ACTUAL 2005 R | VARIANCE 2004/2005 % | ESTIMATE 2005 R | VARIANCE ACTUAL ESTIMATE % |
|--|---------------------|---------------------|----------------------------|-----------------------|-------------------------------------|
| (DEFICIT)/SURPLUS AT BEGINNING OF THE YEAR | 334,614 | 758,073 | 128,5 | 458,073 | - |
| CORRECTIONS I.R.O. PREVIOUS YEAR'S TRANSACTIONS AND ADJUSTMENTS | 9,257 | 40,117 | | - | |
| OPERATING INCOME FOR THE YEAR | 15,399,797 | 19,604,339 | 27,3 | 24,123,774 | (23) |

| EXPENDITURE | ACTUAL 2004 R | ACTUAL 2005 R | VARIANCE 2004/2005 % | ESTIMATE 2005 R | VARIANCE ACTUAL ESTIMATE % |
|--|---------------------|---------------------|----------------------------|-----------------------|-------------------------------------|
| OPERATING EXPENDITURE FOR THE YEAR | (14,985,595) | (19,411,679) | 29,5 | (24,123,776) | (24,3) |
| SURPLUS / (DEFICIT) AT YEAR END | 758,073 | 990,850 | 30,7 | 758,071 | 30,7 |

The original budgeted deficit was R 2. The actual operating results reflect a surplus of R 192,660. Operating income was R 4,519,435 less than the budget income whilst expenditure was R 4,712,097 less than the budgeted expenditure of R 24,123,776.

1.2 Financial Statistics

| <u>Expenditure</u> | <u>2005</u> % | <u>2004</u> % |
|-------------------------|------------------|------------------|
| Personnel Cost | 46 | 56 |
| General Expenditure | 44,3 | 42 |
| Repairs and Maintenance | 6,4 | 3 |
| Capital Charges | 2,3 | 1 |
| Contributions | 1 | 0,6 |
| | <u>100</u> | <u>102,6</u> |
| Expenditure recharged | - | (2,6) |
| | <u>100</u> | <u>100</u> |

1.3 Reconciliation Of Budget to Actual

| | | |
|--|-------------|-----------------|
| Budget surplus/(deficit) before appropriations | | <u>R</u> (2) |
| Revenue variances | | 4,519,437 |
| Expense variances:- | | |
| Personnel cost | (1,082,644) | |
| General expenses | (2,483,802) | |
| Repairs and maintenance | (1,154,491) | |
| Provision for depreciation | (17,591) | |
| Finance Costs | 26,429 | |
| Contribution | - | |
| Recharges | - | (4,712,099) |
| Actual surplus before appropriation | | <u>192,660</u> |

1.4 Financial forecast for the forthcoming year

A summary of the 2005 Operating Budget follows

| | <u>Budget</u> <u>2005</u> | <u>Actual</u> <u>2005</u> |
|--|------------------------------|------------------------------|
| Rates and General Services | 415,428 | 93,045 |
| Water Services | (415,430) | 98,614 |
| Housing | - | <u>1,000</u> |
| Surplus/(Deficit) before appropriation | <u>(2)</u> | <u>192,660</u> |

2. RATES AND GENERAL SERVICES

| | ACTUAL 2004 R | ACTUAL 2005 R | VARIANCE 2004/2005 % | ESTIMATE 2005 R | VARIANCE ACTUAL ESTIMATE % |
|-------------------|---------------------|---------------------|----------------------------|-----------------------|-------------------------------------|
| INCOME | 14,706,740 | 19,537,130 | 32,8 | 24,123,774 | 23,5 |
| EXPENDITURE | 14,211,405 | 19,394,085 | 36,5 | 23,658,346 | 22 |
| SURPLUS/(DEFICIT) | 495,334 | 143,045 | (71,1) | 465,428 | (225,4) |

Incorporated under the heading 'Rates and General Services' are: Community Services, Subsidised Services and Economic Services. (See 'Appendix C').

3. TRADING SERVICES

3.1 WATER

| | ACTUAL 2004 R | ACTUAL 2005 R | VARIANCE 2004/2005 % | ESTIMATE 2005 R | VARIANCE ACTUAL ESTIMATE % |
|-------------------|---------------------|---------------------|----------------------------|-----------------------|-------------------------------------|
| INCOME | 693,057 | 66,209 | (90,4) | - | 100 |
| EXPENDITURE | 774,190 | 17,594 | (97,7) | 465,430 | (100) |
| SURPLUS/(DEFICIT) | (81,132) | 48,614 | 159,9 | (465,430) | (100) |

4 HOUSING

| | ACTUAL 2004 R | ACTUAL 2005 R | VARIANCE 2004/2005 % | ESTIMATE 2005 R | VARIANCE ACTUAL ESTIMATE % |
|-------------------|---------------------|---------------------|----------------------------|-----------------------|-------------------------------------|
| INCOME | - | 1,000 | - | - | |
| EXPENDITURE | - | - | - | - | |
| SURPLUS/(DEFICIT) | - | 1,000 | | - | |

5. CAPITAL EXPENDITURE AND FINANCING

5.1 A summary of the 2005 Capital Budget is as follows:-

| | Budget 2005 | Actual 2005 |
|---------------------|----------------|----------------|
| Community Services | 1,000,000 | 790,445 |
| Subsidised Services | - | - |
| Economic Services | 203,380 | 299,612 |
| Trading Services | - | - |
| Housing Services | - | 319,680 |

5.2 The following fixed assets were purchased during the period under review:

| CAPITAL EXPENDITURE ACCORDING TO TYPE | ACTUAL 2005 R | ESTIMATE 2005 R | ACTUAL 2004 R |
|--|---------------------|-----------------------|---------------------|
| LAND | 319,680 | - | - |
| FENCING | 7,000 | - | 64,764 |
| BUILDINGS | - | - | 13,635 |
| AIR CONDITIONERS | - | - | - |
| PLANNING | - | - | 49,249 |
| CONSTRUCTION WORKS | - | 1,000,000 | - |
| SEWER NETWORKS | 299,612 | - | - |
| RETICULATION - WATER | - | - | - |
| SEWER MAINS | - | - | 1,246,898 |
| FURNITURE | 9,047 | - | 45,488 |
| OFFICE & ACCOUNTING MACHINES | 323,107 | - | 172,011 |
| TOOLS | - | 203,380 | - |
| MACHINERY | 33,346 | - | - |
| VEHICLES & TRACTORS | 417,944 | - | 380,578 |
| SPECIALISED VEHICLES | - | - | - |
| CELL PHONES & RADIOS | - | - | - |
| OTHER | - | - | 5454 |
| | 1,409,737 | 1,203,380 | 1,978,055 |

The capital expenditure was financed from the following sources:

| | ACTUAL 2005 R | ESTIMATE 2005 R | ACTUAL 2004 R |
|-----------------|---------------------|-----------------------|---------------------|
| GRANT | 943,091 | 1,203,380 | 1,755,131 |
| REVENUE | 132,702 | - | 48,454 |
| LEASE AGREEMENT | 333,944 | - | 174,470 |
| | 1,409,737 | 1,203,380 | 1,978,055 |

6. INVESTMENTS AND CASH

Investments are made in accordance with the provisions of the Local Authorities Ordinance No. 25 of 1974. Interest accrued at 30 June 2005 on all investments was brought to account.

7. FUNDS

Information regarding funds is disclosed in notes 1 and 2 to the financial statements.

8. DEBTORS

As at the close of business on 30 June 2005 the total amount for outstanding debtors was R 5,439,141. The provision for bad debts has not been changed as the water and sewer debtors are now the responsibility of Uthukela district municipality.

With the conversion to the new computer system, consumer debtor balances totalling R 605,785 in the debtors subsidiary ledger were not taken on. This will be regularised during 2005/2006.

9. VALUE ADDED TAX

The system in use is operated on the " payment basis". Proportional VAT is claimed on expenditure indirectly incurred in respect of vatable services.

10. CONSUMER DEPOSITS

Discrepancies between debtors deposit listings R 23,825 and the debtors deposit control account R48,482 exist as a result of opening balances not taken on at computerisation of the financial system. This will be corrected during 2005/2006 financial year.

11. BANK RECONCILIATION

Bank reconciliations were not performed for every month. An annual reconciliation was done at year- end.

12. **SUNDRY CREDITORS**

Sundry creditors are dealt with in accordance with the *"accruals principle"*. Amounts in respect of *"special funds"* and which can not be classified as *"reserves or provisions"* as well as sundry deposits held for various purposes are treated as sundry creditors. (Refer Note 9 to the financial statements)

13. **INVENTORY**

The council operates on a direct purchase basis and does therefore not administer an inventory system.

14. **PROVISIONS**

The amount shown under provisions in the Balance sheet represents "Provision for leave". No additional contribution was made during the year.

15. **ASSET REGISTER**

The asset register has as yet not been computerised. This will receive attention during the 2005/2006 financial year.

16. **POST BALANCE SHEET EVENTS**

The responsibility for the rendering of water - and sewer services has been transferred to the District Municipality. The transfer of assets and liabilities will be disclosed in the 2005/2006 financial statements.

WORD OF THANKS

The Mayor, the Chairman and members of the Executive Committee, Councillors, the Municipal Manager and Departmental Heads are thanked for the support they have given to the staff of the Treasury Department.

Finally, a special word of thanks to the staff of the Treasury Department for their efforts to prepare these financial statements.

DIRECTOR: FINANCE

BALANCE SHEET AS AT 30 JUNE 2005

| | NOTE | <u>2005</u> | <u>2004</u> |
|---|-------|-------------------|-------------------|
| CAPITAL EMPLOYED | | | |
| STATUTORY FUNDS | 1 | 2,245,607 | 1,545,382 |
| NON-DISTRIBUTABLE RESERVE | 2 | 9,151,431 | 8,281,671 |
| DISTRIBUTABLE RESERVE | | 990,849 | 758,073 |
| RETAINED SURPLUS / (DEFICIT) | | <u>990,849</u> | <u>758,073</u> |
| LONG TERM LIABILITIES | 18 | 1,652,942 | 2,154,233 |
| CONSUMER DEPOSITS: SERVICES | 3 | 54,482 | 48,482 |
| | | <u>14,095,311</u> | <u>12,787,841</u> |
| EMPLOYMENT OF CAPITAL | | | |
| PROPERTY, PLANT AND EQUIPMENT | 4 | 9,585,822 | 8,286,580 |
| INVESTMENTS | 5 | 4,375,140 | 3,738,543 |
| LONG TERM DEBTORS | 6 | 99,891 | 309,958 |
| NETT CURRENT ASSETS/[LIABILITIES] | | 34,458 | 452,760 |
| CURRENT ASSETS | | <u>6,178,846</u> | <u>4,622,577</u> |
| DEBTORS | 7 & 8 | <u>5,974,557</u> | <u>4,409,190</u> |
| SHORT TERM PORTION OF LONG TERM DEBTORS | 8 | <u>201,989</u> | <u>212,087</u> |
| CASH RESOURCES | | <u>2,300</u> | <u>1,300</u> |
| CURRENT LIABILITIES | | <u>6,144,388</u> | <u>4,169,817</u> |
| CREDITORS | 9 | <u>4,354,038</u> | <u>2,860,182</u> |
| PROVISIONS | | <u>108,464</u> | <u>108,464</u> |
| LOANS: SHORT TERM PORTION | | <u>894,174</u> | <u>764,871</u> |
| BANK OVERDRAFT | | <u>787,712</u> | <u>436,300</u> |
| | | <u>14,095,311</u> | <u>12,787,841</u> |

INCOME STATEMENT FOR THE YEAR ENDING 30 JUNE 2005

| | NOTE | CURR. <u>ACTUAL</u> | CURR. <u>BUDGET</u> | PREV. <u>ACTUAL</u> |
|--|------|------------------------|------------------------|------------------------|
| RATES AND GENERAL SERVICES | | 93,045 | 415,428 | 495,334 |
| WATER SERVICE | | 98,614 | (415,430) | (81,131) |
| HOUSING | | 1,000 | | |
| NET SURPLUS/(DEFICIT) FOR THE YEAR | | 192,660 | (2) | 414,201 |
| CONTRIBUTION FROM NDR's | | 99,920 | | 8,073 |
| NET SURPLUS/(DEFICIT) BEFORE APPROPRIATIONS | | 292,579 | | 422,274 |
| SURPLUS: BEGINNING OF YEAR | | 758,073 | | 334,615 |
| PREVIOUS YEAR ADJUSTMENTS | | (59,803) | | 1,184 |
| ACCUMULATED SURPLUS/(DEFICIT) AT END OF THE YEAR | | <u>990,850</u> | | <u>758,073</u> |

CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2005

| | | <u>2005</u> | <u>2004</u> |
|---|-------------|--------------------|--------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | NOTE | | |
| CASH RECEIPTS FROM RATEPAYERS, GOVERNMENT AND OTHER | | 17,834,362 | 14,523,989 |
| CASH PAID TO SUPPLIERS AND EMPLOYEES | | (17,811,221) | (14,913,247) |
| CASH GENERATED FROM (UTILISED ON) OPERATIONS | 15 | <u>23,141</u> | <u>(389,258)</u> |
| INTEREST RECEIVED | | 298,885 | 325,098 |
| INTEREST PAID | | (337,345) | (124,048) |
| NET CASH FROM OPERATING ACTIVITIES | | <u>(15,319)</u> | <u>(188,208)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| PURCHASE OF PROPERTY, PLANT AND EQUIPMENT | | (1,409,738) | (1,976,549) |
| RECEIPTS FROM/(ADVANCES TO) LONG TERM DEBTORS | | 265,448 | (245,250) |
| NET CASH FROM INVESTING ACTIVITIES | | <u>(1,144,290)</u> | <u>(2,221,799)</u> |
| CASH FLOWS FROM FINANCE ACTIVITIES | | | |
| (DECREASE)/INCREASE IN CONSUMER DEPOSITS | | 6,000 | 30,300 |
| OTHER CAPITAL RECEIPTS | | 1,811,782 | 1,574,594 |
| LOANS RAISED | | 390,769 | 174,470 |
| LOANS REPAYED | | (762,757) | (228,902) |
| NET CASH FROM FINANCE ACTIVITIES | | <u>1,445,794</u> | <u>1,549,462</u> |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 16 | <u>286,185</u> | <u>(860,545)</u> |

ACCOUNTING POLICY

1. BASIS OF PRESENTATION

- 1.1 These financial statements have been prepared so as to conform with the Generally Accepted Municipal Accounting Principles.
- 1.2 The financial statements have been prepared on the historical cost basis.

2. INVESTMENTS

- 2.1 Investments are stated at cost, less amounts written off.
- 2.2 Investments are written down to give recognition to a permanent decline in value.

3. PROPERTY, PLANT AND EQUIPMENT

- GAMAP 113

- 3.1 Property, which includes investment properties, plant and equipment is stated at cost, less accumulated depreciation.
- 3.2 Major improvements to buildings, plant and equipment are capitalised. Maintenance and repairs are expensed when incurred.
- 3.3 Heritage assets, defined as culturally significant resources, are not depreciated.
- 3.4 Depreciation is calculated on cost, using the straight line method over the estimated useful lives of the assets. The depreciation rates are based on the following estimated asset lives:-

| | <u>Years</u> | | <u>Years</u> |
|-----------------------|----------------|------------------------|--------------|
| Infrastructure | 10 – 15 | Other | |
| Roads and paving | 10 | Buildings | 30 |
| Water | 20 | Specialist vehicles | 7 |
| Sewerage | 20 | Other vehicles | 7 |
| Housing | 30 | Office equipment | 5 |
| | | Furniture and fittings | 10 |
| | | Bins and containers | 5 |
| | | Plant and equipment | 5 - 7 |

ACCOUNTING POLICY (continued)

| | <u>Years</u> | | <u>Years</u> |
|-------------------------|--------------|------------------------------|--------------|
| Community | | Investment Properties | |
| Improvements | 30 | | 30 |
| Recreational Facilities | 20 - 30 | | |
| Security | 5 | | |

4. RETIREMENT BENEFITS

- GAMAP 110

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating local authorities.

5. REVENUE RECOGNITION

- GAMAP 106

- 5.1 Revenue from rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Interest on unpaid rates is recognised on a time proportion basis.
- 5.2 Service charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period.
- 5.3 Revenue from the sale of goods is recognised when the risk is passed to the consumer.
- 5.4 Revenue arising from the application of the approved tariff of charges is generally when the relevant service is rendered.
- 5.5 Interest and rentals are recognised on a time proportion basis that takes into account the effective yields on assets.

ACCOUNTING POLICY (continued)

- 5.6 Revenue from spot fines is recognised when payment is received, and the revenue from the issuing of summonses is recognised when collected.
- 5.7 Amounts received from government and donors for the purpose of acquiring items of property, plant and equipment are classified as capital receipts and credited to non-distributable reserves. These amounts are released to the income statement over the estimated life of the item of property, plant and equipment acquired.

6. INTERNAL FINANCING OF PROPERTY, PLANT AND EQUIPMENT - GAMAP 114

In order to finance the provision of infrastructure and other items of property, plant and equipment, amounts are set aside from unappropriated surpluses in the Asset Financing Fund (AFF). The cash in the AFF is invested until utilised.

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2005

1 FUNDS

Asset Financing Fund
Housing Operating Account
TOTAL STATUTORY FUNDS

| <u>2005</u> | <u>2004</u> |
|------------------|------------------|
| 1,550,836 | 1,550,836 |
| 694,771 | (5,454) |
| <u>2,245,607</u> | <u>1,545,382</u> |

ASSET FINANCING FUND

MOVEMENT IN THE FUND IS RECONCILED AS FOLLOW

| | | |
|--|------------------|------------------|
| Balance at beginning of year | 1,550,836 | 1,550,836 |
| Contributions received | | |
| Cash utilised to finance property, plant and equipment | - | - |
| Balance at the end of the year | <u>1,550,836</u> | <u>1,550,836</u> |

The purpose of the asset financing fund is to set aside cash to finance fixed asset additions from internal sources. The contribution to the Aff is based on the integrated development plan financing requirements. When cash is used to finance property, plant and equipment, a corresponding amount is transferred to a non-distributable reserve (see note 2). Unutilised cash is invested as set out in note 9.

2 NON-DISTRIBUTABLE RESERVES

Capital receipts
- used to finance property, plant and equipment
- unutilised

| | |
|------------------|------------------|
| 7,103,310 | 6,233,550 |
| <u>6,700,437</u> | <u>5,857,266</u> |
| 402,873 | 376,284 |

Transfers from asset financing fund used to finance property, plant and equipment
TOTAL NON-DISTRIBUTABLE RESERVES

| | |
|------------------|------------------|
| 2,048,121 | 2,048,121 |
| <u>9,151,431</u> | <u>8,281,671</u> |

MOVEMENT CAN BE RECONCILED AS FOLLOW

UNUTILISED CAPITAL RECEIPTS

| | | |
|--|----------------|----------------|
| Balance at beginning of year | 376,284 | 556,820 |
| Current year receipts | 650,000 | 1,574,595 |
| Used to finance current year additions | 623,412 | 1,755,131 |
| Balance at the end of the year | <u>402,873</u> | <u>376,284</u> |

These capital receipts represents government grants, subsidies and contributions from the public and can only be used for the purpose of acquiring specified property, plant and equipment. These amounts are invested until utilised for the purpose intended. (see note 9).

CAPITAL RECEIPTS (USED TO FINANCE PROPERTY, PLANT AND EQUIPMENT)

| | | |
|--|------------------|------------------|
| Balance at beginning of year | 5,857,266 | 4,110,209 |
| Used to finance current year additions | 943,092 | 1,755,131 |
| Transfer to income statement to offset depreciation charge | 99,920 | (8074) |
| Balance at the end of the year | <u>6,700,438</u> | <u>5,857,266</u> |

These amounts represent property, plant and equipment financed by government grants, subsidies and contributions from the public. The intention of the benefactor of these amounts is to subsidise the cost of acquiring property, plant and equipment. Accordingly these amounts are released to the income statement over the estimated useful lives of the property, plant and equipment so financed to offset the relevant depreciation charge. the balance of the reserve is transferred to the income statement when the fixed asset so financed is disposed.

TRANSFERS FROM ASSET FINANCING FUND

| | | |
|--|------------------|------------------|
| Balance at beginning of year | 2,048,121 | 2,048,121 |
| Used to finance current year additions | - | - |
| Transfer to income statement to offset depreciation charge | - | - |
| Balance at the end of the year | <u>2,048,121</u> | <u>2,048,121</u> |

These amounts represent property, plant and equipment financed by the AFF. These amounts are released to the income statement over the estimated useful lives of the property, plant and equipment financed from this source to offset the depreciation charge and prevent duplication in expenses.

3 CONSUMER DEPOSITS - SERVICES

Water

TOTAL

| | |
|---------------|---------------|
| 54,482 | 48,482 |
| <u>54,482</u> | <u>48,482</u> |

4 PROPERTY, PLANT AND EQUIPMENT AT NETT BOOK VALUE

Fully owned property, plant and equipment

Infrastructure

Community

Other

Housing

TOTAL

| |
|----------------|
| 5,467,141 |
| 1,561,628 |
| 2,231,927 |
| <u>325,134</u> |

| | |
|------------------|------------------|
| <u>9,585,825</u> | <u>8,286,580</u> |
|------------------|------------------|

REFER TO APPENDIX "B" FOR MORE DETAIL

5 INVESTMENTS

Unlisted

| | |
|------------------|------------------|
| 4,375,140 | 3,738,44 |
| <u>4,375,140</u> | <u>3,738,544</u> |

MARKET VALUE OF LISTED INVESTMENTS

Council's evaluation of unlisted investments

| | |
|------------------|------------------|
| 4,375,140 | 3,738,544 |
| <u>4,375,140</u> | <u>3,738,544</u> |

ALLOCATION OF EXTERNAL INVESTMENTS

In terms of legislation surplus cash is invested until used for specific purposes. Investments are allocated on the following basis

Asset Financing Fund

Unutilised capital receipts

Unutilised grants

Deposits

Operating account

TOTAL

| | |
|------------------|------------------|
| 1,550,836 | 1,550,836 |
| 402,873 | 1,091,381 |
| 944,485 | 1,164,985 |
| 1,343,094 | 146,327 |
| 133,852 | (214,985) |
| <u>4,375,140</u> | <u>3,738,544</u> |

6 LONG TERM DEBTORS

Vehicle loans

Sundry loans

SUBTOTAL**LESS**

Short-term portion transferred to current assets

TOTAL**VEHICLE LOANS**

The council granted these subsidised loans to employees who are required to use own transport in the fulfillment of official duties.

SUNDRY LOANS

This interest free loan refer to cellphone accounts, PAYE loans and overpayment of remuneration granted to councilors.

| | |
|----------------|----------------|
| 117,293 | 246,847 |
| 184,587 | 275,198 |
| <u>301,880</u> | <u>522,045</u> |
| 201,889 | 212,087 |
| <u>99,891</u> | <u>309,958</u> |

7 CONSUMER DEBTORS

Service Debtors

Rates

Water

Sanitation

Refuse

Sundry

SUB TOTAL**Less:**

Provision for bad debt

TOTAL

| | |
|------------------|------------------|
| 1,879,445 | 922,819 |
| 840,892 | 381,542 |
| 46,641 | 22,847 |
| 216,349 | 115,007 |
| 1,112,498 | 1,103,415 |
| <u>4,095,925</u> | <u>2,545,630</u> |
| 911,666 | 911,666 |
| <u>3,184,259</u> | <u>1,633,964</u> |

THE AGEING OF DEBTORS IS AS FOLLOWS

RATES

| | | |
|--------------|------------------|----------------|
| Current | | |
| 30-60 DAYS | 20,288 | 9,832 |
| 61 -90 DAYS | 112,543 | 10,130 |
| 91-120 DAYS | 124,502 | 51,839 |
| 121 + DAYS | 22,238 | 10,577 |
| TOTAL | 1,599,874 | 840,441 |
| | 1,879,445 | 922,819 |

Services (Water, Sanitation and Sundry)

| | | |
|--------------|------------------|------------------|
| Current | | |
| 30-60 DAYS | 67,100 | 39,775 |
| 61 -90 DAYS | 8,764 | 274,254 |
| 91-120 DAYS | 95,136 | 767,375 |
| 121 + DAYS | 82,700 | 34,554 |
| TOTAL | 1,962,782 | 506,853 |
| | 2,216,480 | 1,622,811 |
| TOTAL | 4,095,925 | 2,545,630 |

Bad debt provision

The bad debt provision is calculated on the ageing of debtors.
council's policy is to provide for 50% on all debtor balances which are
outstanding for 120 days or longer.

8. OTHER DEBTORS

| | | |
|---|------------------|------------------|
| Receiver VAT | | |
| Sundries | 150,120 | 469,198 |
| Short term portion of long term debtors | 2,640,178 | 2,306,028 |
| | 201,989 | 212,087 |
| | 2,992,287 | 2,987,313 |

9. CREDITORS

| | | |
|----------------------|------------------|------------------|
| Trade Creditors | | |
| Unspent grants | 817,536 | 311,530 |
| Unallocated deposits | 1,875,860 | 1,222,629 |
| Retention | 1,343,094 | 1,174,009 |
| Other | 108,083 | 97,726 |
| TOTAL | 209,465 | 119 |
| | 4,354,038 | 2,806,013 |

10 ASSESSMENT RATES

Combined
TOTAL

| | |
|------------------|------------------|
| 3,048,655 | 2,864,662 |
| 3,048,655 | 2,864,662 |

11 VALUATIONS

Land
Buildings
TOTAL

| | |
|--------------------|--------------------|
| 70,648,720 | 70,630,920 |
| 161,559,850 | 158,990,050 |
| 232,208,570 | 229,620,970 |

Rates are being assessed as follow:-

Bergville:- 5,3752c/R on land and 0,99226c/R on buildings.

Cathkin Park:- 0,187c/R on land and 0,598c/R on buildings.

Winterton :- 9,216064c/R on land.

Driefontein:-0,606c/R on land.

Alphine Heath:- 2,647c/R on land

12 NET SURPLUS /(DEFICIT) FOR THE YEAR

DEPRECIATION

Fully owned property , plant and equipment

Infrastructure

Other

SUB TOTAL

TOTAL DEPRECIATION

| | |
|---------|---------|
| 192,660 | 414,201 |
| - | - |
| 61,485 | 4,905 |
| 49,005 | 3,960 |
| 110,490 | 8,865 |
| 110,490 | 8,865 |

COUNCILLORS' REMUNERATION

Mayor's allowance

Councillors' allowance

Deputy Mayor

Speaker

Executive Committee's allowance

Allowance personal facilities

Allowance personal transport

Allowance personal telephone

Councillors' pension contribution

Councillors' medical contribution

TOTAL COUNCILLORS' ALLOWANCE

| | |
|-----------|-----------|
| 61,162 | 52,173 |
| 493,518 | 411,168 |
| 50,026 | 40,259 |
| - | 41,739 |
| 130,499 | 112,258 |
| 70,675 | 70,478 |
| 183,398 | 145,730 |
| 152,649 | 158,660 |
| 106,297 | 109,145 |
| 25,760 | 12,388 |
| 1,273,984 | 1,151,994 |

INVESTMENT INCOME

Interest received

Rental received

TOTAL INVESTMENT INCOME

| | |
|---------|---------|
| 298,907 | 320,684 |
| 4,485 | 4,414 |
| 303,392 | 325,098 |

CONTRIBUTIONS TO PROVISIONS

Doubtful debts

TOTAL CONTRIBUTIONS

| | |
|---|---|
| - | - |
|---|---|

AUDITORS REMUNERATION

Fees for audit

Expenses

Prior year (over) / under provision

TOTAL AUDITORS REMUNERATION

ABNORMAL EXPENSES

Additional staff leave provision

TOTAL ABNORMAL EXPENSES

| | |
|---|---|
| - | - |
| - | - |
| - | - |

PROVINCIAL AND CENTRAL GOVERNMENT SUBSIDIES

Inter-Governmental transfers

TOTAL PROVINCIAL AND CENTRAL GOVERNMENT SUBSIDIES

15,139,105 8,635,783

15,139,105 8,635,783

13 REVENUE

Assessment rates

Revenue from tariffs

Fines

Government grants and subsidies

Interest

Rental income

Other income

TOTAL INCOME

3,048,655 2,864,662

397,608 1,235,276

97,626 114,058

15,139,105 10,572,521

298,907 320,684

4,485 4,414

617,953 288,163

19,604,339 15,399,778

14 TRANSFER FROM NON-DISTRIBUTABLE RESERVES

Transfers from capital receipts utilised to finance fixed assets

Transfers from asset financing fund utilised to finance fixed asset

Additions (see notes 1 and 2)

TOTAL OF TRANSFERS

943,092 1,755,131

943,092 1,755,131

15 CASH GENERATED BY OPERATIONS

Nett surplus for the year

Adjustments for :-

Previous year operating transactions

Depreciation

Housing Operating Account

Capital receipts realised

Investment income

Interest paid

OPERATING SURPLUS BEFORE WORKING CAPITAL CHANGES

192,660 414,201

(59,803) 1,184

110,493 8,868

(141,875) (5,454)

(298,885) (325,098)

337,345 124,048

139,935 217,749

Increase / (Decrease) in Debtors

Increase / (Decrease) in other Debtors

Increase / (Decrease) in Provisions

Increase / (Decrease) in Creditors

Increase / (Decrease) in Reserves

CASH GENERATED BY OPERATIONS

(1,411,289) (551,892)

- (4,524)

1,294,495 (50,590)

23,141 (389,257)

16 CASH AND CASH EQUIVALENTS

Balance at end of year

Balance at beginning of year

NET INCREASE / (DECREASE) IN CASH AND EQUIVALENTS

3,589,728 3,303,543

3,303,543 4,164,088

286,185 (860,545)

17 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure
approved but not yet contracted for

5,707,280 1,978,055

TOTAL CAPITAL COMMITMENTS

5,707,280 1,978,055

This expenditure will be financed from :
Internal sources

Grants

External sources

5,707,280 1,803,585

TOTAL OF FINANCE SOURCES

- 174,470

5,707,280 1,978,055

18 LONG TERM LIABILITIES

Annuity Loans

Lease Agreements

SUB TOTAL

1,993,383 2,618,383

553,733 300,721

2,547,116 2,919,104

LESS

Current portion transferred to current liabilities
Annuity Loans

Lease Agreements

SUB TOTAL

680,029 683,288

214,144 81,583

894,174 764,861

TOTAL

1,652,942 2,154,233

REFER TO ANNEXURE "A" FOR MORE DETAIL

19 CONTINGENT LIABILITIES

There are no contingent liabilities

20 DEFERED INFRASTRUCTURE MAINTENANCE

Opening Balance

Current year

Current year requirements

Less: Expenditure current year

Closing Balance

Construction Water&Sewer

| | |
|--|--|
| | |
|--|--|

Deferred infrastructure maintenance is the quantum of preventative maintenance in terms of Council's approved maintenance plans that have not been undertaken. These amounts are set out for information purposes and have not been taken into account in the determination of the net surplus for the year.

EXTERNAL LOANS AS AT 30 JUNE 2005**NEXURE: A**

| | Balance at 1 July 2004 R | Received During the Year R | Repaid During the Year R | Balance at 30 June 2005 R |
|--|--------------------------------|-------------------------------------|-----------------------------------|------------------------------------|
| Rate and General Services | | | | |
| WESBANK | | | | |
| 2 Vehicles for Traffic | - | 390,769 | 56,468 | 334,301 |
| WESBANK | | | | |
| Vehicle loan to Municipal Manager | 135,012 | 0 | 52,876 | 82,136 |
| DELTA Finance | | | | |
| Vehicle for Mayor | 165,710 | 0 | 28,413 | 137,297 |
| Winterton Farmers' Association | | | | |
| Library and Museum: Interest free loan payable over a period of 20 years | 12,600 | 0 | 0 | 12,600 |
| Umsekeli Finance | | | | |
| Bridging finance. Repayable at 9% to 12%. Final instalment January 2008. | 2,343,750 | 0 | 625,000 | 1,718,750 |
| Water Services | | | | |
| Development Bank of Southern Africa | | | | |
| Water Projects: Repayable at 13.755 to 14.65% p.a. over 25 years | 50,829 | 0 | 0 | 50,829 |
| KZNPA | | | | |
| Water Works: Interest free loan. | 211,204 | 0 | 0 | 211,204 |
| | 2,919,105 | 390,769 | 762,757 | 2,547,117 |

| | | COST | | ACCUMULATED DEPRECIATION | | | | |
|-------------------------------|--------------------|-----------|-----------|--------------------------|--------------------|-----------|-----------|--------------------|
| | OPENING BALANCE | ADDITIONS | DISPOSALS | CLOSING BALANCE | OPENING BALANCE | ADDITIONS | DISPOSALS | CLOSING BALANCE |
| SERVICE INFRASTRUCTURE | | | | | | | | |
| LAND | 669,905 | - | - | 669,905 | - | - | - | - |
| BUILDINGS | 162,045 | - | - | 162,045 | - | - | - | - |
| FENCING | 33,212 | - | - | 33,212 | - | - | - | - |
| CONSTRUCTION WORKS | 7,813,920 | - | - | 7,813,920 | - | - | - | - |
| WATER RETICULATION | 6,156,389 | - | - | 6,156,389 | - | - | - | - |
| SEWER RETICULATION | 1,246,898 | 299,612 | - | 1,546,508 | - | - | - | - |
| TOOLS | 57,191 | - | - | 57,191 | - | 61,485 | - | - |
| MACHINERY | 135,186 | - | - | 135,186 | - | - | - | - |
| VEHICLES AND TRACTORS | 432,737 | - | - | 432,737 | - | - | - | - |
| SPECIALISED VEHICLES | 508,455 | - | - | 508,455 | - | - | - | - |
| | 17,215,936 | 299,612 | - | 17,515,548 | 11,988,922 | 61,485 | - | 12,048,407 |
| COMMUNITY | | | | | | | | |
| LAND | 6,500 | - | - | 6,500 | - | - | - | - |
| BUILDINGS | 2,633,345 | - | - | 2,633,345 | - | - | - | - |
| FENCING | 31,309 | - | - | 31,309 | - | - | - | - |
| FURNITURE | 155,362 | - | - | 155,362 | - | - | - | - |
| TOOLS | 3,316 | - | - | 3,316 | - | - | - | - |
| OFFICE MACHINES | 17,146 | - | - | 17,146 | - | - | - | - |
| MACHINERY | 111,934 | - | - | 111,934 | - | - | - | - |
| VEHICLES AND TRACTORS | 39,653 | - | - | 39,653 | - | - | - | - |
| SPECIALISED VEHICLES | 46,120 | - | - | 46,120 | - | - | - | - |
| | 3,044,685 | - | - | 3,044,685 | 1,483,057 | - | - | 1,483,057 |
| OTHER | | | | | | | | |
| LAND | 210,542 | - | - | 210,542 | - | - | - | - |
| BUILDINGS | 1,163,804 | - | - | 1,163,804 | - | - | - | - |
| FENCING | 110,388 | 7,000 | - | 117,388 | - | - | - | - |
| PLANNING | 364,891 | - | - | 364,891 | - | - | - | - |
| CONSTRUCTION WORKS | 1,727,785 | - | - | 1,727,785 | - | - | - | - |
| FURNITURE | 123,347 | 9,047 | - | 132,394 | - | 1,841 | - | - |
| OFFICE MACHINES | 962,322 | 323,107 | - | 1,285,429 | - | 301 | - | - |
| TOOLS | 17,607 | - | - | 17,607 | - | 17,012 | - | - |
| MACHINERY | 3,595 | 33,346 | - | 36,941 | - | - | - | - |
| VEHICLES AND TRACTORS | 412,228 | 417,944 | - | 830,172 | - | 608 | - | - |
| CELL PHONES & RADIOS | 27,052 | - | - | 27,052 | - | 29,443 | - | - |
| | 5,123,141 | 790,445 | - | 5,913,586 | 3,632,654 | 49,005 | - | 3,681,659 |
| HOUSING | | | | | | | | |
| LAND | 5,454 | 319,680 | - | 325,134 | - | - | - | - |
| TOTAL | 25,389,216 | 1,409,737 | - | 26,798,953 | 17,102,634 | 110,490 | - | 17,213,124 |

ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDING 30 JUNE 2006 **ANNEXURE: C**

| <u>ACTUAL PREVIOUS</u> | | <u>ACTUAL CURRENT</u> | <u>BUDGET CURRENT</u> |
|----------------------------|--|---------------------------|---------------------------|
| REVENUE | | | |
| 10,319,206 | GOVERNMENT/PROVINCIAL GRANTS/SUBSIDIES | 15,139,105 | 18,508,923 |
| 2,899,402 | RATES INCOME | 3,114,865 | 3098215 |
| 637,170 | SALE OF WATER | - | - |
| 1,544,018 | OTHER INCOME | 1,350,367 | 2,518,636 |
| <u>15,399,796</u> | TOTAL | <u>19,604,339</u> | <u>24,123,774</u> |
| EXPENDITURE | | | |
| 8,355,453 | SALARIES AND ALLOWANCES | 8,922,016 | 10,004,660 |
| 6,395,104 | GENERAL EXPENSES | 8,612,315 | 11,096,117 |
| 0 | BULK PURCHASES: WATER | 0 | 0 |
| 6,395,104 | OTHER | 8,612,315 | 11,096,117 |
| 494,757 | REPAIRS AND MAINTENANCE | 1,247,107 | 2,401,598 |
| 8,868 | DEPRECIATION | 110,493 | 312,500 |
| 124,048 | FINANCE COSTS | 337,346 | 152,930 |
| 7,365 | CONTRIBUTIONS TO RESERVES | 182,400 | 155,871 |
| 0 | CONTRIBUTION TO CAPITAL OUTLAY | 0 | 0 |
| <u>15,385,595</u> | SUB TOTAL | <u>19,411,679</u> | <u>24,123,776</u> |
| (400,000) | EXPENDITURE ALLOCATED ELSEWHERE | - | - |
| <u>14,985,595</u> | TOTAL | <u>19,411,679</u> | <u>24,123,776</u> |
| 414,201 | NETT SURPLUS/(DEFICIT) | 192,660 | (2) |

SEGMENTED INCOME STATEMENT FOR THE YEAR ENDING 30 JUNE 2005

ANNEXURE: D

| PREVIOUS YEAR | | | | ACTUAL | ACTUAL | SURPLUS | |
|----------------------|----------------|------------------|--------------------------------|---------------|----------------|------------------|--|
| INCOME | EXPEND. | (DEFICIT) | | INCOME | EXPEND. | (DEFICIT) | |
| 14,706,740 | 14,211,405 | 495,334 | RATES AND GENERAL SERVICES | 19,537,130 | 19,394,084 | 143,045 | |
| 13,878,874 | 12,682,879 | 1,195,995 | COMMUNITY SERVICES | 18,057,082 | 17,216,339 | 840,743 | |
| 10,599,650 | 3,782,312 | 6,817,337 | COUNCIL GENERAL: OKHAHLAMBA | 14,500,854 | 5,573,707 | 8,927,147 | |
| | 805 | (805) | COUNCIL GENERAL: CATHKIN PARK | | 226,225 | (226,225) | |
| | 23,880 | (23,880) | COUNCIL GENERAL: WINTERTON | | 394,437 | (394,437) | |
| 18,835 | | 18,835 | COUNCIL GENERAL: ALPINE | 35,346 | | 35,346 | |
| 12,388 | | 12,388 | COUNCIL GENERAL: DRIEFONTEIN | 12,384 | | 12,384 | |
| 1,248,538 | | 1,248,538 | ASSESSMENT RATES: BERGVILLE | 1,437,232 | | 1,437,232 | |
| 575,879 | | 575,879 | ASSESSMENT RATES: CATHKIN PARK | 568,881 | | 568,881 | |
| 1,019,422 | | 1,019,422 | ASSESSMENT RATES: WINTERTON | 1,022,104 | | 1,022,104 | |
| 13,703 | 1,318,534 | (1,304,831) | MUNICIPAL MANAGER | 104,589 | 3,120,232 | (3,015,643) | |
| 4,414 | 1,782,740 | (1,778,326) | CORPORATE SERVICES | 4,485 | 1,508,548 | (1,504,063) | |
| 320,680 | 1,812,680 | (1,491,999) | FINANCIAL SERVICES | 299,095 | 1,433,165 | (1,134,069) | |
| | 279,542 | (279,542) | TOURISM | | 382,189 | (382,189) | |
| 63,338 | 3,675,178 | (3,611,840) | PUBLIC WORKS: OKHAHLAMBA | 70,024 | 4,526,562 | (4,456,537) | |
| | 2,596 | (2,596) | PUBLIC WORKS: CATHKIN PARK | | 357 | (357) | |
| 2,025 | 4,607 | (2,582) | PUBLIC WORKS: WINTERTON | 2,083 | 40,913 | (38,829) | |
| | | | PUBLIC WORKS: KHETANI | | | | |
| 447,169 | 1,441,350 | (994,181) | SUBSIDISED SERVICES | 1,148,708 | 2,074,710 | (926,002) | |
| 115,421 | 53,358 | 82,061 | LIBRARY: BERGVILLE | 2,629 | 109,829 | (106,999) | |
| 4,086 | 86,117 | (82,021) | LIBRARY: WINTERTON | 4,725 | 108,760 | (104,035) | |
| | 75,539 | (75,539) | MUSEUM: WINTERTON | 36,742 | 82,035 | (45,292) | |
| 253,315 | 763,809 | (510,493) | PUBLIC HEALTH: BERGVILLE | 829,050 | 1,032,105 | (103,054) | |
| | 1,441 | (1,441) | PUBLIC HEALTH: CATHKIN PARK | | 16,301 | (16,300) | |
| 57,488 | 46,1082 | (403,614) | TRAFFIC: OKHAHLAMBA | 160,728 | 725,878 | (565,150) | |
| 5,867 | | 5,867 | CEMETERY: BERGVILLE | 6,590 | | 6,590 | |
| 11,001 | | 11,001 | CEMETERY: WINTERTON | 8,241 | | 8,241 | |
| 380,895 | 87,175 | 293,520 | ECONOMIC SERVICES | 331,339 | 103,034 | 228,304 | |
| 141,401 | | 141,401 | REFUSE: BERGVILLE | 151,639 | 13,887 | 137,751 | |
| 155,781 | 79,889 | 76,092 | REFUSE: WINTERTON | 179,699 | 27,681 | 152,038 | |
| 83,513 | 2,578 | 80,934 | SEWER: BERGVILLE | | | | |
| | 4,907 | (4,907) | SEWER: WINTERTON | | 61,485 | (61,485) | |
| | | | HOUSING SERVICES | 1,000 | | 1,000 | |
| | | | HOUSING DEVELOPMENT | 1,000 | | 1,000 | |
| 893,057 | 774,190 | (81,132) | TRADING SERVICES | 66,209 | 17,594 | 48,614 | |
| 141,861 | 430,056 | (288,194) | WATER SERVICE: BERGVILLE | 41,509 | | 41,509 | |
| | 686 | (686) | WATER RETICULATION: BERGVILLE | 24,700 | 17,594 | (17,594) | |
| 551,195 | 343,078 | 208,117 | WATER SERVICE: WINTERTON | | | 24,700 | |
| | | | WATER RETICULATION: WINTERTON | | | | |
| 15,399,797 | 14,985,595 | 414,201 | | 19,604,339 | 19,411,679 | 192,660 | |